

MSGNO 2 (STXX) *15/10/83* *17:05*
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CO-VE BOMBER

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 FM AMEMBASSY BOGOTA
 TO RUEHC/SECSTATE WASHDC 9985
 INFO RUEHDC/USDOC WASHDC
 RUEADOE/DEPTENERGY WASHDC
 RUEHCV/AMEMBASSY CARACAS 0531
 BT

EZ1:

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EZ2:

USDOC FOR 4331 A/IEP/WH/OSA/AND: R. MUENZER
 E.O. 12356: DECL: OADR
 TAGS: ECRP KALR EPET ENRG BTIO CO
 SUBJECT: CERP 0425: UPDATE ON OCCIDENTAL'S OIL
DISCOVERY IN THE LLANOS

REF: BOGOTA 7735

1. (C - ENTIRE TEXT)
2. RICHARD HOLLENBAUGH, RESIDENT MANAGER FOR OCCIDENTAL PETROLEUM CORPORATION, REVEALED THAT A SECOND WELL (CANO LIMON 2) DRILLED ONE HALF MILE FROM THE FIRST STRIKE (REFTEL) CONFIRMED OCCIDENTAL'S EARLIER CALCULATIONS OF THE EXISTENCE OF A 50 TO 60 MILLION BARREL FIELD APPROXIMATELY THREE KILOMETERS FROM THE VENEZUELAN BORDER. CANO LIMON 2 IS PRODUCING 28.8 TO 30.5 GRAVITY OIL AT A COMBINED RATE OF 9,680 BARRELS/DAY FROM TWO ZONES, ACCORDING TO HOLLENBAUGH.
3. HOLLENBAUGH PLANS TO BEGIN WORK ON A 50 KILOMETER ALL WEATHER ROAD UNITING THE CANO LIMON FIELD WITH

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THE NEAREST TOWN, ARAQUITA, AND HOPES THE ROAD WILL BE COMPLETED BY APRIL 1984. UNTIL THIS ROAD IS IN PLACE, OCCIDENTAL IS LIMITED TO BARGING OIL TO ARAQUITA. FROM ARAQUITA THE OIL IS TRUCKED TO THE BARRANCABERMEJA REFINERY.

4. THIS INTERIM TRANSPORTATION PROCESS IS EXPENSIVE, TIME CONSUMING, AND INEFFICIENT. HOLLENBAUGH ADMITS THAT THEY WILL BE DOING WELL TO GET 2,000 B/D OUT IN 1984 USING TRUCKS AND BARGES. CONSEQUENTLY, OCCIDENTAL HAS CONTRACTED THE STATE OIL COMPANY ECOPETROL TO DESIGN A PIPELINE (APPROXIMATELY 300 KILOMETERS IN LENGTH) THAT WILL CARRY CRUDE TO A PIPELINE TERMINAL AT RIO ZULIA OUTSIDE OF CUCUTA. HOLLENBAUGH ESTIMATED THAT THE PIPELINE WOULD COST 220 MILLION DOLLARS. HOLLENBAUGH IS PRESSING FOR A 50,000 BARRELS PER DAY PIPELINE BUT ECOPETROL IS NOT YET CONVINCED THAT THERE IS SUFFICIENT PRODUCTION TO JUSTIFY A PIPELINE WITH THAT CAPACITY. HOLLENBAUGH INFORMED EMBOFF THAT HE HAS ALREADY MADE INITIAL CONTACTS WITH COMPANIES CAPABLE OF CONSTRUCTING A PIPELINE AND HOPED THAT THE PIPELINE WOULD BE OPERATIONAL BY THE END OF 1985.

5. LOOKING TOWARD THE FUTURE, HOLLENBAUGH ESTIMATED THAT SEVEN WELLS WOULD BE DRILLED IN THE CANO LIMON FIELD, EACH PUMPING 4,000 BARRELS PER DAY. HOLLENBAUGH CONFIDED THAT THEIR SEISMIC WORK ON OTHER AREAS OF THEIR ONE MILLION ACRE CONTRACT AREA HAD UNCOVERED ELEVEN "EXCELLENT" PROSPECTS.

6. COMMENT: OXY'S DISCOVERY IS IMPORTANT FOR SEVERAL REASONS. A 60 MILLION BARREL FIELD EXPANDS COLOMBIA'S PROVEN OIL RESERVES BY TEN PERCENT. SECONDLY, THIS FIND WILL STIMULATE MORE EXPLORATION IN THE LLANOS, WHICH HAD BEEN LAGGING DUE TO EXXON'S DISAPPOINTING RESULTS IN ITS SARAVENA LLANO OIL FIELD. CONTINUED HIGH LEVEL EXPLORATION RATES ARE ESSENTIAL IF COLOMBIA IS TO REGAIN OIL SELF-SUFFICIENCY THIS DECADE, SINCE MOST OF THE CURRENT PRODUCTION IS LOCATED ON DECLINING FIELDS DISCOVERED TEN TO TWENTY YEARS AGO. COLOMBIA CURRENTLY IMPORTS 50,000 BARRELS OF CRUDE PER DAY. WHEN THE PIPELINE TO THE LLANOS IS COMPLETED, COLOMBIA WILL HAVE ENTERED A SIGNIFICANT NEW PHASE IN ITS QUEST FOR OIL SELF-SUFFICIENCY.

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